



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ELLIOTT COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

ELLIOTT COUNTY REEDA ISON, COUNTY CLERK CALENDAR YEAR 1999 FEE AUDIT

On July 26, 2000, fieldwork was completed on the 1999 fee audit of the Elliott County Clerk. An unqualified opinion was rendered on the financial statement. The instances of noncompliance are:

- County Clerk Did Not Publish Her Annual Settlement
- County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- County Clerk Did Not Keep Adequate Time Records For Her Employees
- County Clerk Did Not Keep Proper Ledgers

Financial Condition:

The County Clerk collected \$632,380 and distributed all funds.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles Pennington, Elliott County Judge/Executive

Honorable Reedda Ison, Elliott County Clerk

Members of the Elliott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Elliott County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Reeda Ison, Elliott County Clerk
Members of the Elliott County Fiscal Court

Based on the results of our audit, we have presented comments and recommendations, included herein, which discuss the following areas of noncompliance:

- County Clerk Did Not Publish Her Annual Settlement
- County Clerk Did Not Present Her Annual Settlement To The Fiscal Court
- County Clerk Did Not Keep Adequate Time Records For Her Employees
- County Clerk Did Not Keep Proper Ledgers

In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 26, 2000

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 109,941

Usage Tax 210,457

Tangible Personal Property Tax 235,080

Licenses-

Marriage 2,450

Deed Transfer Tax 4,001

Delinquent Tax 26,059 \$ 587,988

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts \$ 4,318

Real Estate Mortgages 3,983

Chattel Mortgages and Financing Statements 22,236

Powers of Attorney 319

All Other Recordings 4,860

Charges for Other Services-

Copywork 1,553 37,269

Other:

Miscellaneous 6,507

Interest Earned

616

Gross Receipts

\$ 632,380

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 60,737

Usage Tax 205,393

Tangible Personal Property Tax 79,433

Delinquent Tax 2,889

Legal Process Tax 6,880 \$ 355,332

ELLIOTT COUNTY
 REEDA ISON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	36,935	
Delinquent Tax		4,410	
Deed Transfer Tax		<u>3,647</u>	\$ 44,992

Payments to Other Districts:

Tangible Personal Property Tax	\$	105,801	
Delinquent Tax		<u>15,579</u>	121,380

Payments to Sheriff 1,876

Payments to County Attorney 4,190

Operating Disbursements:

Personnel Services-			
Deputies Salaries	\$	16,020	
Part-Time Salaries		2,385	
Overtime Salaries		82	
Employee Benefits-			
Employer's Share Social Security		1,706	
Employer's Share Retirement		2,331	
Employer's Paid Health Insurance		6,067	
Other Payroll Disbursements		9,315	
Materials and Supplies-			
Office Supplies		2,359	
Other Charges-			
Conventions and Travel		2,323	
Postage		1,656	
Bank Charges		535	
Miscellaneous		<u>5,337</u>	<u>50,116</u>

Total Disbursements \$ 577,886

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Net Receipts	\$ 54,494
Less: Statutory Maximum	<u>49,512</u>
Excess Fees	\$ 4,982
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for Calendar Year 1999	\$ 1,382
Payments to County Treasurer - July 1, 2000	<u>1,382</u>
Balance Due at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

Note 4. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

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COMMENTS AND RECOMMENDATIONS

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

STATE LAWS AND REGULATIONS:

1) County Clerk Did Not Publish Her Annual Settlement

The county clerk did not publish her annual settlement. KRS 424.220 requires the annual settlement be published within 60 days after the close of the calendar year, or in lieu of the publication requirements publish an audit prepared pursuant to KRS 43.070 or 64.810. We recommend the County Clerk publish her annual settlement within 60 days after the calendar year.

County Clerk's Response:

Didn't have report completed.

2) County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

The County Clerk did not present her annual settlement to the Fiscal Court. KRS 64.152 requires the county clerk to settle excess fees with the fiscal court by March 15 of each year. We recommend the County Clerk present her annual settlement to the fiscal court and pay any excess fees by March 15 of each year.

County Clerk's Response:

Didn't have report completed and excess fees were not turned over until 6-00.

3) County Clerk Did Not Keep Adequate Time Records For Her Employees

The County Clerk should require all employees to keep timesheets. All timesheets were not available to determine if overtime was properly documented. Timesheets should be signed by the employee and employer to ensure agreement on hours worked. KRS 337.320 states that a report should be kept by employer of (a) amount paid each pay period to each employee, (b) the hours worked each day and each week by each employee, and (c) such information as the secretary requires. We recommend the County Clerk keep signed timesheets for all employees.

County Clerk's Response:

Ok.

ELLIOTT COUNTY
REEDA ISON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
Calendar Year 1999
(Continued)

4) County Clerk Did Not Keep Proper Ledgers

The County Clerk did not keep proper payroll, disbursements, and receipts ledgers. The payroll ledger did not include yearly totals that could be compared back to W-2s, nor did it include the County Clerk's \$3,600 expense allowance that she received. The auditor had to contact the County Judge's office to determine the amount paid to the County Clerk for 1999 and the maximum salary she should have earned. The receipts and disbursements ledger totals were not posted to the quarterly financial report properly and the auditor had to adjust the quarterly report. KRS 67.080(d) states the fiscal court may cause correct accounts and records to be kept of all receipts and disbursements of the public funds of the county, employ a competent person to keep such accounts and records, and pay such person a reasonable compensation for such services. We recommend that the County Clerk maintain proper records and take extra care when posting to receipts and disbursement ledgers, as well as to the quarterly financial report. We also recommend the Fiscal Court require correct accounts and records be kept by the County Clerk to ensure proper accountability of fees collected.

County Clerk's Response:

Realize the problem now and have hired a very competent person to help.

PRIOR YEAR:

County Clerk Did Not Publish Her Annual Settlement
County Clerk Did Not Present Her Annual Settlement To The Fiscal Court

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Reeda Ison, Elliott County Clerk
Members of the Elliott County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Elliott County Clerk as of December 31, 1999, and have issued our report thereon dated July 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Elliott County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elliott County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Reeda Ison, Elliott County Clerk
Members of the Elliott County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 26, 2000

